

Message Text

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21

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 COME-00 TRSE-00 OMB-01 AGR-05 /081 W

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R 240445Z JUL 76

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 6793

INFO AMEMBASSY BANGKOK

AMEMBASSY PARIS

AMCONSUL HONG KONG

AMCONSUL UDORN

CINCPAC

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E.O. 11652: N/

TAGS: ECON, LA

SUBJECT: NEW PROGRAM TO SUPPLY VIENTIANE MARKET INEFFECTIVE
SO FAR

CINCPAC FOR POLAD

SUMMARY: FACED BY DEARTH OF FOOD IN VIENTIANE MARKETS, LAO
AUTHORITIES WEEK OF JULY 12 INFORMED PEOPLE IN SEMINARS AND
THROUGH PRESS OF NEW PROGRAM TO SUPPLY FOOD TO CITY. NEW
MEASURES INCLUDE DIRECTING CITY DWELLERS TO RAISE ANIMALS;
ENCOURAGING OUTLYING VILLAGERS TO BRING FOOD INTO CITY, MAINLY
BY ABOLISHING CHECKPOINTS WHICH IN PAST HAD OFTEN PREVENTED
THIS; POSTING LOW OFFICIAL PRICES FOR FOOD ITEMS; AND ANNOUNCING
THAT PEOPLE'S COURTS, WITH APPROVAL FROM AUTHORITIES, CAN
INFLECT DEATH PENALTY ON PERSONS CONVICTED OF SERIOUS ECONOMIC
CRIMES. PEOPLE WERE INFORMED AT SEMINARS, AND LPDR OFFICIAL HAS
TOLD US, THAT IT WILL TAKE SOME TIME BEFORE PROGRAM WORKS.
THIS CONFIRMED BY JULY 20 EMBASSY MARKET SURVEY WHICH SHOWED
FURTHER ECONOMIC DETERIORATION WITH NO FISH AVAILABLE IN MARKET
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ALTHOUGH IT WAS PREVIOUS WEEK, NOR ANY MEAT OR POULTRY.

PROBLEM CONTINUES TO BE THAT VILLAGERS HAVE NO INCENTIVE TO SELL AT LOW OFFICIAL PRICES. END SUMMARY.

1. PEOPLE WERE INFORMED IN BLOCK SEMINARS AND BY PRESS OF NEW ECONOMIC PROGRAM TO SUPPLY FOOD TO VIENTIANE AND "PRESERVE VALUE OF LIBERATION KIP". LOCAL SOURCES STATE THAT MAIN POINTS OF PROGRAM THEY WERE TOLD ABOUT IN SEMINARS ARE ALONG LINES REPORTED IN VIENTIANE MAI NEWSPAPER ARTICLES JULY 16 AND 23, FROM WHICH FOLLOWING DRAWN:

2. AUTHORITIES FROM PROVINCE, MUNICIPALITY, MILITARY, POLICE, AND NATIONAL MINISTRIES AGREED AT MEETING TO INSTITUTE NEW MEASURES. EACH FAMILY HAS TO RAISE AT LEAST ONE PIG OR JOIN WITH OTHER FAMILIES TO RAISE SEVERAL. FAMILIES AND ORGANIZATIONS SHOULD ALSO RAISE POULTRY AND FISH AND PLANT GARDENS. PEOPLE CAN SELL AS MUCH PRODUCE AS THEY WANT BUT AT PRICES SET BY AUTHORITIES WHICH ARE TO BE POSTED IN VILLAGES, GOVERNMENT OFFICES, AND MILITARY AND POLICE UNITS. PEOPLE CAN COME AND GO FREELY TO AND FROM VIENTIANE TO BRING IN FOOD, AND CHECKPOINTS ON ROADS LEADING TO CITY WILL BE CLOSED. SOLDIERS, POLICE, MILITIA, AND LOCAL ADMINISTRATIVE ORGANIZATIONS ARE FORBIDDEN TO SEIZE GOODS BEING BROUGHT IN EXCEPT FOR WEAPONS AND OTHER PROHIBITED ITEMS. A CENTRAL MARKET, AS WELL AS DISTRICT MARKETS, WILL BE SET UP IN VIENTIANE, AND EVENTUALLY A MARKET WILL BE OPENED TO SELL BOTH MORNINGS AND EVENINGS. PROVINCE AND MUNICIPALITY WILL TOGETHER ESTABLISH UNITS TO TRADE WITH OTHER AREAS WHICH HAVE ANIMALS FOR SALE. PUBLIC AND PRIVATE TRANSPORTATION LINES WILL BE OPENED TO BRING GOODS TO VIENTIANE FROM KASY AND PAKKADING BY ROAD AND FROM PAKLAY AND SALAKHAM BY RIVER. PERSONS GUILTY OF SERIOUS ECONOMIC CRIMES CAN BE SENTENCED TO DEATH ON THE SPOT BY PEOPLE'S COURTS, IF HIGHER AUTHORITIES GRANT PERMISSION.

3. VIENTIANE MAI JULY 21 REPORTED THAT MEAT WAS AVAILABLE AT FIXED PRICE OF 250 KIP A KILO AND PEOPLE WERE HAPPY THAT SO MUCH WAS AVAILABLE THAT THEY WERE EVEN GETTING TIRED OF IT. IN FACT, HOWEVER, REGULAR WEEKLY EMBASSY MARKET SURVEY JULY 20 REPORTED NEITHER MEAT, FISH, NOR POULTRY WERE AVAILABLE AT ANY PRICE, WHICH WAS CONFIRMED BY OTHER LOCAL SOURCES. MEANWHILE, PRICES OF GOODS STILL SOLD IN MARKET, SUCH AS EGGS, HAVE LIMITED OFFICIAL USE

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ROUGHLY DOUBLED IN PAST MONTH, RISING PARI PASSU WITH FALL IN VALUE OF LIBERATION KIP SINCE IT WAS MADE LEGAL TENDER THROUGHOUT COUNTRY ON JUNE 15.

4. VIENTIANE MARKETS HAVE BEEN DRYING UP FOR SOME TIME, BOTH BECAUSE THAI VENDORS WHO FORMERLY SUPPLIED THEM HAVE NOT RECENTLY BEEN ALLOWED TO COME IN LEGALLY AND ALSO BECAUSE LAO VILLAGERS HAVE NO INCENTIVE TO BRING IN FOOD. BOTH PRESS AND

LOCAL SOURCES HAVE REPORTED THAT CHECKPOINTS IN PAST HAVE TRIED TO PREVENT "PROFITEERING" BY VILLAGERS BRINGING IN FOOD, EITHER BY SEIZING ITEMS BROUGHT IN, WHICH GUARDS CONSIDERED EXCESSIVE TO NEEDS OF FAMILIES OF VILLAGERS LIVING IN CITY, OR ELSE BY GUARDS FORCING VILLAGERS TO SELL FOOD AT LOW PRICES WHICH DID NOT MAKE IT WORTHWHILE FOR VILLAGERS TO BRING IT IN.

5. PEOPLE WERE TOLD IN SEMINARS, AND SECSTATE FINANCE BOUTSABONG SOUVANNAVONG TOLD EMBOFF, THAT NEW ECONOMIC MEASURES WILL TAKE SOME TIME TO PRODUCE DESIRED RESULTS. PROGRAM IS UNLIKELY TO SUCCEED, HOWEVER, UNLESS AUTHORITIES ALLOW VILLAGERS TO SELL FOOD AT MORE REALISTIC HIGHER PRICES, BOTH TO COVER THEIR COSTS OF PRODUCTION AND ALSO TO ENABLE THEM TO BUY OTHER ITEEMS STILL FOR SALE IN CITY, WHOSE PRICES HAVE ALSO RISEN. IF AUTHORITIES OFFICIALLY SANCTION HIGHER FOOD PRICES, HOWEVER, THEY WILL BE AT LEAST TACTITLY ADMITTING THE EROSION IN VALUE OF LIBERATION KIP, WHICH LPDR HAS PUT ITS PRESTIGE ON THE LINE TO PRESERVE.
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